

Non-discretionary General Fund Increases for Fiscal Year 2003

To maintain existing services, state needs \$42.7 million to replace lost federal and short-term fund sources, plus \$57 million in other costs

Each year, critical needs for additional funding — such as child protection and education — tend to receive the greatest attention in news stories and legislative budget discussions. Less well known are the funding increases required to maintain the existing level of state services. These non-discretionary cost increases include debt service, contractual obligations and replacement of one-time or short-term funding sources with state general funds. Services that must accommodate increases in business activity or population will end up with waitlists or delays unless funds are provided to meet the additional demand.

This paper outlines major elements of the \$99.7 million state general fund increase required next year to maintain the same level of services Alaska citizens, businesses and communities receive today. This amount is less than the earlier estimate of \$115.5 million primarily due to a \$14 million decrease in the estimate needed for the K-12 foundation formula.

Paying Debt Service on State Bonds: \$9.3 million

Smaller general fund budgets in recent years were achieved partly by financing capital projects with bonds rather than cash: schools, university deferred maintenance, ports and harbors, etc. Since bond payments don't start until at least a year after projects are authorized, the budget impact is delayed. As a result, an additional \$9.3 million in general funds will be needed for debt payments next year. (See attached detail.)

Annualizing Programs that Started in FY2002: \$4.7 million

Facilities that open part way through this fiscal year need a full 12 months of funding next year. The additional months will cost \$1.9 million for the Anchorage Jail, \$110,000 for the Ketchikan Youth Facility and \$259,000 for the Bethel Health Center. Full year costs will add \$2.2 million for new drunk driving, therapeutic court, and victim restitution laws, and \$330,400 for Village Public Safety Officers, constables and emergency communications. The FY2003 phase of the statutory increase in rates paid to assisted living homes will require \$1.3 million. Funding for the Office of Public Advocacy (OPA) and Public Defender Agency (PD) has typically been split by the legislature between the regular and supplemental budgets. The governor's December budget includes the full annual amounts: an increase of \$1 million for OPA and \$1.3 million for the PD.

The annualization total of \$4.7 million is net of \$3.8 million in one-time appropriations that will be cut from next year's budget.

Meeting Contract Obligations: \$20.7 million

Approximately \$13.4 million will be needed to fund the third year of labor contracts within the executive branch. (University, court system, and legislative budgets will need another \$8.3 million.)

Understanding the FY2003 Budget

National Guard retirement costs will go up almost \$500,000. Many of the state's contracts with the private sector will also increase, including \$2.5 million for leases and \$207,100 for halfway house beds in Corrections. State reimbursement of school district contracts for pupil transportation will go up approximately \$3.3 million.

Maintaining Services when One-time or Short-term Funding Ends: \$42.6 million

State budget reserves benefit when federal or other funds help foot the bill for basic services, even if those other sources are not permanent. However, when we lose those funds, state general funds must replace them because we can't simply eliminate the services. Replacing multi-year federal grants will require \$4.1 million of general funds in Corrections and \$1.2 million in Health and Social Services. Another \$1.6 million which the Mental Health Trust has provided on an interim basis will have to be replaced in next year's budget. New federal restrictions on the Medicaid Proshare funding mechanism require replacement of the \$18.7 million saved this year. The Post Secondary Education corporation dividend which paid for \$2.0 million of the FY2002 university operating increase will be replaced with on-going general fund support in the governor's budget. (The dividend will be used in the capital budget instead.)

Because of decreasing general fund support of the Marine Highway System over the last several years and revenue losses due to unexpected events (the Canadian blockade and Columbia fire), the Marine Highway fund will be fully depleted during FY2002. Next year, \$11.1 million that currently comes from the Marine Highway fund will have to come from the general fund instead.

When the Alaska Science and Technology Foundation was created in the 1980's, its earnings were tapped for University of Alaska funding, supposedly on a one-time basis. With the market down turn, \$2.6 million of ASTF earnings are no longer available for UA and must be replaced with general funds.

Statewide Election Costs: \$1.9 million

Every other year, the budget goes up to pay the cost of state elections -- poll workers, computer services, Alaska Public Offices Commission, etc. Next year's budget also includes second year costs for the closed primary, \$350,000 in transition costs for a new administration, a toll-free line for voter questions, and modest pay increases for election workers, most of whom have made only \$7.50 to \$8 an hour since 1982.

Statutory Program Increases: \$2.1 million

As population grows, so does the cost of services the state must provide to all Alaskans who qualify by statute; these are known as "formula programs". Medicaid will increase \$7.9 million next year due to an overall caseload growth of 3.56% and health care cost increases of 16.29%. (Some refinancing options and federal law changes are needed to keep this number from being much higher.) Foster Care and Subsidized Adoption programs will need \$3.7 million to meet caseload growth. Adult Public Assistance anticipates a 4.2% caseload growth and cost increases bringing the FY2003 need up by \$2.5 million. Tuition for students in foster care and out-of-state institutions will increase \$550,000. Offsetting some of these increases, the continued phase-out of the Longevity Bonus program and other formula program adjustments will save \$12.6 million.

Meeting Increased Workloads and Reducing Backlogs: \$14.8 million

The single largest amount in this category is \$2.7 million for Corrections, much of which is the direct result of more prisoners. The main elements are \$1.7 million for inmate health care, \$400,000

Understanding the FY2003 Budget

for cost increases of keeping state prisoners in community jails, \$495,800 to operate the new management information system and \$100,000 for increased Parole Board activity.

Successful economic development requires the ability to meet increased business demand and move to new technologies widely used by the private sector. Several general fund increases are to meet current and forecast levels of industry needs: \$154,900 to reduce backlogs in enforcing compliance by water system operators; \$99,500 for approval of a site-specific storm water pollution prevention plan; \$302,500 for the increased volume of Fish & Game habitat permit requests in Mat-Su and Kenai; \$332,200 for backlogged inspections of electrical systems and boilers; \$102,000 for investigations of wage and hour violations; \$250,400 for shallow gas exploration licensing, permitting, and financial compliance; and \$300,000 for title updates of RS 2477 rights-of-way and federal land transactions.

To maintain the aging payroll system until it can be replaced, Finance needs \$225,600 for additional programmers. API and psychiatric crisis respite cost increases will be \$1.3 million. Child Support Enforcement needs \$100,000 to keep caseloads from exceeding 1,000 per worker. An additional \$215,000 is needed for Public Safety's increased costs of prisoner transportation, rural trooper housing, and emergency guards.

The Department of Transportation and Public Facilities has cost increases of \$4 million to implement the Marine Highway System's operating plan, \$429,200 for utilities and highway accident damage repairs, \$255,000 for rural airport maintenance contracts and \$2.1 million for the state equipment fleet. Despite increased numbers of state park facilities over the past several years, there has been no increase in the Parks budget; \$700,000 would go part way toward covering the costs of inflation and greater territory managed by the division.

Increased Fuel and Utility Costs: \$3.6 million

Several department budgets have been particularly hard hit by fuel cost increases. The Department of Transportation and Public Facilities has the largest need: \$1.8 million to cover the increased fuel costs for heavy equipment, marine highway vessels, state vehicles and public facility heating.

State Debt Overview

(Dollars in thousands)

Obligations	FY2002	FY2003	Increase/ (Decrease)
School Debt Reimbursement (estimated maximum)	57,020.5	56,378.4	(642.1)
Lease Finance			
Alaska Psychiatric Institute		1,635.9	1,635.9
Palmer Airport Fire Facility	766.8	759.7	(7.1)
Spring Creek Correctional Facility	4,021.6	4,002.0	(19.6)
Palmer Courthouse	415.8	415.5	(0.3)
Kenai Courthouse	563.0	566.4	3.3
Anchorage Times Building	789.7	789.4	(0.2)
Soldotna DOT Maintenance Facility	637.3	636.6	(0.7)
Anchorage Health Lab	2,261.3	2,287.6	26.3
Fairbanks Courthouse	2,894.5	2,899.5	5.0
Trustee Fees	80.0	100.0	20.0
Atwood Building	3,549.4	3549.4	0.0
Anchorage Jail	3,555.7	5,211.1	1,655.4
AHFC Debt for Government Purpose Bonds	44,000.0	50,000.0	6,000.0
Tobacco Settlement Bonds (2001 - schools)	20,650.1	21,016.5	366.4
Total Debt Obligations	141,205.7	150,248.1	9,042.3
Revenue Sources			
Cigarette Tax (constitutionally dedicated to schools)	29,049.1	28,734.5	(314.6)
Cigarette Tax FY2002 roll forward		271.8	271.8
AHFC Dividend	50,000.0	50,000.0	0.0
Palmer Facilities Investment Earnings	723.0	0.0	(723.0)
Debt Retirement Fund Balance	0.0	156.7	156.7
Tobacco Settlement Bonds (schools)	20,650.1	21,016.5	366.4
General Funds Required to Pay Debt	40,783.5	50,068.6	9,285.0
Total Revenue Sources	141,205.7	150,248.1	9,042.3

Note: In addition to the debt obligations listed above, the Alaska International Airport System and state corporations such as AHFC and AIDEA issue and pay for debt for their own corporate purposes. This debt does not require any general funds. Also, the Alaska Clean Water Fund and Alaska Drinking Water Fund are capitalized in part from debt paid for by their respective fund earnings.

Stopping the Cycle of Alcohol Abuse

Most of the major preventable medical and social problems confronting Alaska are tied to the abuse of alcohol. Alaska ranks first among all states in alcohol mortality. Alaska has the world's highest incidence of Fetal Alcohol Syndrome (FAS), a totally preventable condition. Alcohol plays a part in most domestic violence incidents and Alaska's high rates of accidental deaths.

Nearly 60,000 Alaskans misuse, or are addicted to alcohol. Alcohol misuse was involved in 85% of Alaska's incarcerations. In Anchorage alone, 83% of child abuse, 59% of the domestic violence cases, 60% of fire injuries, 55% of sexual assaults, and 55% of motor vehicle fatalities are alcohol-related.

Building upon last year's Public Safety and Alcohol initiative, Governor Knowles' FY2003 budget adds \$4.7 million in general funds and \$ 300,000 in Mental Health Trust funds to stop the alcohol abuse cycle by increasing treatment opportunities and the enforcement of liquor license laws. (In addition, there is \$2.6 million in the Governor's *Smart Start / Strong Future* initiative to expand alcohol treatment and supervision programs for juveniles and adults with children.)

Reduce Alcohol Treatment Waitlists

Statewide Dual Diagnosis Treatment: \$1.4 million state funds

Of the 143 adults waiting for residential mental health or substance abuse treatment, 40% need both, i.e. dual diagnosis services. Some of the inmates discharged from Department of Corrections facilities need dual diagnosis treatment as well.

Outpatient Treatment Funding for Small Communities: \$1.1 million state funds

Many small Alaskan communities are not able to support local substance abuse programs. This \$1.1 million will bring 13 communities to a minimum funding level of \$150,000. With treatment available in their own communities, residents will be able to stay at home and receive the treatment they need, without having to go to another community.

Adult Residential Alcohol Treatment: \$471,800 state funds

On current wait lists, there are 57 adults who need short-term treatment and 21 who need long-term treatment beds. This funding would eliminate the wait lists for these two services.

Restore Alcohol Safety Action Programs

Stabilize existing ASAP Programs: \$470,000 state funds

The Alcohol Safety Action Program (ASAP) helps misdemeanor defendants get substance abuse education or treatment programs ordered by the court. To help meet the increased court orders for education and treatment, these funds would partially restore the level of ASAP monitoring done by the programs in Anchorage, Dillingham, Fairbanks, Homer, Kenai, Juneau, Ketchikan, Kodiak, Kotzebue and Mat-Su.

Rural Substance Abuse Counselors

Expand Rural Human Services Program: \$867,700 state funds

Currently 100 human service workers are working in 77 communities, helping residents deal with alcohol and drug abuse problems. These funds would expand the program to 18 more villages, placing approximately 20 substance abuse counselors in the communities where they are most needed.

Transitional Housing for Substance Abusers

Retain treatment success: \$250,000 in state funds and \$300,000 in Mental Health Trust funds

Individuals returning to smaller communities from out-of-town treatment programs are at risk of losing their sobriety without adequate community-based supports. Transitional housing will allow them to reunite with their families more quickly and to practice their new recovery skills in their old, familiar environment before returning to their own homes.

Enforcement and Interdiction

Alcoholic Beverage Control Investigation: \$131,000 in state funds

An additional investigator will strengthen enforcement of Alaska's alcoholic beverage laws and help deter violations through increased ABC Board presence and visibility. This will also cover costs of additional investigations and administrative hearings.

Related Services in *Smart Start / Strong Future*

The Governor's *Smart Start / Strong Future* initiative includes \$1.2 million to build treatment capacity so women on the wait list can enter treatment with their children. Another \$839,000 will expand the juvenile alcohol safety program beyond four pilot sites and provide treatment. Currently the felony DWI and mentally ill population (dual diagnosis) is the fastest growing group of probation/parole offenders. \$500,000 will be used to improve supervision and accountability programs to these offenders who are particularly at risk of re-offending and abusing or neglecting their children.

Understanding the FY2003 Budget – Stopping Alcohol Abuse

Dept		General Funds	Other Funds	Total Funds	
		(dollars in thousands)			
	Reduce Alcohol Treatment Waitlists				
HSS	Statewide Dual Diagnosis Treatment	1,442.6		1,442.6	
HSS	Outpatient Treatment - Minimum Funding for Small Communities	1,062.0		1,062.0	
HSS	Adult Residential Treatment	471.8		471.8	
HSS	Restore Alcohol Safety Action Programs	470.0		470.0	Anchorage, Fairbanks, Juneau, Mat Su, Kenai, Dillingham, Homer, Ketchikan, Nome, Bethel and Barrow
HSS	Rural Substance Abuse Counselors	867.7		867.7	20 more counselors in villages
HSS	Transitional Housing for Substance Abusers	250.0	300.0	550.0	Mental Health Trust Authority Receipts.
	Enforcement and Interdiction				
Revenue	More ABC investigators and support	96.0		96.0	1 new investigator in Anchorage
Revenue	Increased ABC complaint investigation	35.0		35.0	Assistance to local law enforcement
	Total Alcohol Initiative	<u>4,695.1</u>	<u>300.0</u>	<u>4,995.1</u>	

Additional alcohol programs in the Smart Start / Strong Future Initiative

HSS	Juvenile Alcohol Treatment	718.0		718.0	
HSS	Juvenile ASAP	121.1		121.1	
HSS	Treatment for Women with Children	1,241.0		1,241.0	Plus Substance Abuse Treatment Facilities for Women and Children - \$750.0 in the capital budget
Corr	Dual Diagnosed Offenders with Children	<u>471.2</u>	<u>28.8</u>	<u>500.0</u>	Focus on dual diagnosed probationers and parolees with children
		2,551.3	28.8	2,580.1	

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01-245

KNOWLES BACKS TASK FORCE RECOMMENDATIONS
ON EDUCATION FUNDING

Calls for \$33 Million Investment before School Boards Association

ANCHORAGE -- Calling for continued progress to prepare Alaska students for the jobs of the future, help them become better citizens, and allow them to expand their personal horizons, Gov. Tony Knowles today announced that he has accepted the second year recommendations of his Education Funding Task Force. Knowles made the announcement in a speech before the Association of Alaska School Boards.

"I know this group well enough to understand your compassion and commitment to improving education in Alaska, and you know me well enough to know I'll never give up on that goal," Knowles said. "So let's move forward together. Let's do so by recognizing the hard work and clear thinking of the Education Funding Task Force, and by supporting its recommendations."

Knowles appointed the task force shortly after the school board conference last year and it developed a thoughtful and well-documented five-year plan for increased school funding called the "A-plus" report. Now, the Task Force has issued its second report.

"The bottom line is the task force recommends a \$32.7 million investment in Alaska's schools for next year. The highlights are \$23 million in permanent increases to the foundation formula and \$6 million in assistance and incentives to help schools work to meet higher standards," Knowles said. "I'm pleased to report to you today that I accept the recommendations of the task force and will include those dollars in my upcoming budget and legislative package."

Knowles said he also will follow the task force recommendation for a multi-year plan to fund all the projects on the state school construction and maintenance lists and he supports their recommendation - for the second time - to fix to our funding formula to uphold Alaska's tradition of fairness.

"Unfortunately today, future funding for many rural school districts is based on a lower per-pupil amount than most urban schools. That's wrong, and it must change," Knowles said. "I asked the Legislature to do that last session but they didn't even hear my bill. Don't worry, I'll be back." He called on leaders in the legislative majority to address this

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issue and said it is another example of the growing urban-rural divide that must be addressed if Alaskans are going to move forward together.

Knowles said the A-plus report clearly defines how additional dollars will be spent, and why. "It reads like a business plan because that's what it is," Knowles said. "I believe this business-like approach helped convince legislators last session that new investments are necessary, especially in the context of our demands for higher standards and increased accountability. As national NEA president Bob Chase put it: 'Reform without resources is just rhetoric'."

Knowles thanked the members of the Education Funding Task Force for their hard work and outstanding leadership. The task force includes:

- **Carl Rose**, executive director of the Association of Alaska School Boards;
- **Jim Palmer**, vice president of BP Exploration;
- **Ernie Hall** of Anchorage and **Roy Nageak** of Barrow, members of the state Board of Education and Early Development;
- **Darroll Hargraves** of the Alaska Council of School Administrators;
- **Rich Kronberg** president of NEA-Alaska;
- **Janice Loudon**, president of the Alaska Parent Teacher Association;
- **Bob Weinstein**, Mayor of the City of Ketchikan;
- **Pat Abney**, member of the Anchorage Municipal Assembly;
- **Roger Chan**, vice president of VECO; and
- **Carl Marrs**, president and CEO of Cook Inlet Region, Incorporated.

Knowles noted that many of the Task Force's recommendations and those of the School Board Association were adopted by the Legislature last year. These included a \$31 million increase in education funding, funding for new school construction and critical school repair projects; increased support for the Head Start program, and fairness in the timeline for the high school qualifying exam.

Knowles also told the School Board Association that he will move forward on his Children's Cabinet recommendation for the second phase of his Smart Start program. Tentatively called "Smart Start/Strong Future: Health, Safety, and Success for Alaska's Children," the plan will include improvements in three specific areas:

- **Child Health** - Saving lives by preventing youth smoking and intervening quickly when young Alaskans start down the dangerous and deadly path of inhalants, alcohol and other drugs.
- **Child Safety** - Fighting the scourge of abuse and neglect by hiring more trooper investigators, responding to all calls for help, and better protecting children who must be taken into state custody.
- **Child Success** - Preparing children for the classroom and school success by promoting early literacy, improving the availability of quality preschool and early childhood programs, and supporting parents as they choose early learning environments for their children.

"I believe this effort, and the whole point of Smart Start, has implications far beyond the basics of child well-being and school success," Knowles said. "By giving our children a smart start and hope for a strong future, I believe these investments are the best crime-fighting tools around."

Governor Knowles' FY2003 Oil Safety and Development Initiative

Announced December 12, 2001

To develop Alaska's oil and gas resources responsibly, the state must be a world leader with the highest standards, enforcement, permit efficiency and environmental protection. Over the past 25 years, evolving industry technology and state vigilance have improved safety and minimized impacts on the environment of oil and gas development. The Knowles/Ulmer Administration's "Doing It Right" approach to oil and gas development has resulted in broad public acceptance, industry responsibility and protection of Alaska's resources.

But conditions are changing and we must redouble our efforts to ensure we have a system for dealing with our oil and gas resources that is not just adequate, but first-class. Now that we have the world's safest marine transportation system at the terminus of the Trans Alaska Pipeline, we need to move "up the line" and ensure the highest standards for safety in oil and gas production facilities on the North Slope. We need the same level of protection in Cook Inlet and emerging new areas of shallow gas leasing and oil exploration in the Interior. While doing this we also need a permitting system that can meet changing conditions in a timely and effective way.

The changing conditions we must address include:

- Increased leasing, permitting and exploration;
- Increased activity in off-shore and more remote areas;
- Shorter winter drilling seasons;
- Level or reduced agency budgets and staffing levels;
- Aging infrastructure in both Cook Inlet and the North Slope;
- Pipeline and valve failures in recent years; and
- New security concerns.

Earlier this year, I directed the six state agencies involved in oil and gas permitting and regulation to review their current activities and capacities in light of these changing conditions. The Oil and Gas Protection initiative I am announcing today stems from this review and looks broadly at the full range of activities, not just the pipe and valve monitoring that has received recent press attention. The initiative will improve the capacity of state agencies to do their jobs more proactively, more efficiently and more effectively.

This is not a "gotcha"-based enforcement effort. Rather, it will engage agencies with industry early in the leasing and permitting processes for better planning, better designs, better actions and fewer problems. Many of these proposed actions will be of direct benefit to industry through faster lease processing, faster permitting, and more collaborative decision-making. This initiative will also beef up agency capabilities in permitting, inspection and compliance during all stages of oil and gas activity including leasing, exploration, development, production, transportation, closure and remediation.

The increased state capacity is sorely needed to keep pace with increased private sector activity. For example, during this past year the Department of Natural Resources (DNR) leased 1.6 million acres in four areawide sales, the highest yearly level in the past 10 years. DNR has had over 300 applications for shallow gas leases and applications for over a million acres of exploration licensing in Interior basins.

Title work and processing of these leases and applications have lagged far behind. Areawide leases now take 10 months on average to approve, resulting in delayed payments to the state and delayed exploration for industry. There is now an unacceptable backlog of 234 shallow gas applications. This initiative would increase DNR's ability to do the title work and issue these leases months sooner.

Drilling permit applications have increased 35% over the last 10-year average and are expected to continue at these levels in the future. Many of these are in locations further from existing infrastructure such as NPRA, offshore in the Beaufort Sea and the North Slope Foothills area. The Department of Environmental Conservation's (DEC) capacity to issue air and water and other permits on a timely basis has not kept pace. This initiative would cut the current 253-day air quality permit processing time by 50% and streamline contingency plan requirements.

The number of wells in Alaska has increased from fewer than 1,000 in the early 1980's to over 3,600 today. Yet the agency charged with ensuring well safety and integrity, the Alaska Oil and Gas Conservation Commission (AOGCC), has the same number of staff it did 20 years ago. This initiative would allow the AOGCC to increase well inspections, testing and follow-up surveillance.

To meet the challenge of increased activity and facilities, this initiative will enable DEC to establish a full-time North Slope office so it can increase air and water quality monitoring and inspections, and conduct oil spill preparedness drills. The initiative would also increase DEC's ability to work with industry on designs and technology that would reduce environmental impacts and make permitting more timely, consistent, and predictable. DEC's work will be done through a combination of contract services and state personnel.

Increased activity and the aging of facilities have also put pressures on the Department of Labor and Workforce Development to meet its workplace safety responsibilities. The initiative will increase enforcement of electrical and occupational safety and health codes to ensure a safe working environment.

A recent report issued by British Petroleum confirmed the state's findings that some oil and gas facilities are in need of upgrade and maintenance. Substantial work will be done to improve fire and gas detection systems with the expected demand for state review and approval increasing by 50% over the next several years. Fire and life safety inspections will provide a continuing service to the oil and gas producers, and ensure worker and resource protection. To meet this increased workload, the initiative adds contract services and staff in the Fire Marshall's Office within the Department of Public Safety.

The Department of Fish and Game requires additional support to work with industry on how best to undertake exploration, development, field closures and remediation to ensure habitat restoration and protection of fish and wildlife.

Understanding the FY2003 Budget

Recognizing the state's responsibility for monitoring and enforcing laws and regulations to ensure the kind of development that Alaskans expect, the Oil and Gas Protection initiative will be supported with \$3.7 million in state general funds. Although \$1.1 million will be collected through current fee systems in DEC and AOGCC, no new fees are proposed. One quarter of the work will be done through contracted services and the rest by 30 new staff spread throughout six departments.

Alaska has the ability to rise to the challenges of a changing environment and demonstrate to the world we can "do it right" and are "best in class." But we cannot meet the challenges without the resources necessary to translate our vision into action. The initiative I've outlined here will put us on the right track.

Summary of the Oil Safety and Development Budget Request

Department	Additional staff positions	Contract services (in full-time equivalents)	(all dollars in thousands)		Total Funds
			General Funds	Other Funds	
Environmental Conservation	13	9	2,066.7	553.4	2,620.1
Natural Resources	6		690.0		690.0
Fish & Game	2		222.6		222.6
Labor	2		223.0		223.0
Public Safety	3	1	500.0		500.0
Admin - AOGCC	<u>3.5</u>	<u>1</u>	<u>0.0</u>	<u>562.5</u>	<u>562.5</u>
Level of Effort for Oil and Gas Protection	29.5	11.0	3,702.3	1,115.9	4,818.2

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60th ANNIVERSARY OF PEARL HARBOR ATTACK REMEMBERED
Knowles Orders State Flags Lowered; Seeks Support for Veterans' Proposals

ANCHORAGE--Gov. Tony Knowles today commemorated the 60th anniversary of the surprise attack on Pearl Harbor by honoring two Anchorage Pearl Harbor survivors, Joe Booi and Rex Talley, and by issuing a proclamation ordering state flags flown at half staff. The Governor also used the opportunity to introduce two new elements to his plan to transform the Pioneers' Homes to the Alaska Pioneer and Veterans' Home system.

"This year we commemorate that 'date which will live in infamy' with especially heavy hearts, because just three months ago our nation of liberty and justice was again attacked by surprise - this time by a hidden enemy with no regard for civilians," Knowles said in an observance at Anchorage's American Legion Post #1. "In the wake of the terrorists' attack, our resolve is strong, our patriotism mighty, our love of freedom enduring."

The December 7, 1941, attack on Pearl Harbor killed more than 2,000 Americans, injured more than 1,000, and marked the United States' entry into World War II.

"On the 60th anniversary of the attack, we must pause and remember those who perished. We must also thank those few Alaskan veterans who survived the attack and the thousands of other World War II era vets still living for their service," said Major General Phil Oates, state adjutant general and commissioner of the Department of Military and Veterans Affairs. "My cap is off to them and the Alaska Territorial Guard members who served the state so well during the war."

Knowles recognized two Pearl Harbor veterans who now live in Anchorage: Joe Booi, and Rex Talley.

Booi, a Navy Electricians Mate 3rd Class, was standing in line for breakfast when the attack on Pearl Harbor began. He helped stockpile ammunition from the magazines below deck on the heavy cruiser USS *New Orleans*. The ammo was passed up by hand instead of by hoist because the power had been cut off. Booi later also saw action in the battles of the Coral Sea, Midway, and Guadalcanal.

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During the attack, Rex Talley, a Seaman First Class, was assigned to a motor launch to look for survivors from the USS *West Virginia*. At one moment, a mooring line got tangled in the launch's propeller, so Talley jumped overboard with an axe to free the prop. Talley went on to serve on the aircraft carrier USS *Enterprise*, which was hit by bombs several times.

Knowles used the observance of Pearl Harbor Remembrance Day to renew his push for his proposed Alaska Pioneer and Veterans' Home system. Legislation sponsored by Knowles (SB 55 and HB 88) still pending before the Legislature would expand the current Pioneers' Home system and place veterans in the roughly 100 beds in the system that are currently vacant because of lack of funding.

Last year, the Governor also requested \$200,000 for a survey of veterans' housing and health needs. The study will help define unmet housing needs such as disabled veterans under the age of admission to a Pioneers' Home - 65 years old - that need housing. The study will determine the extent of that need and other purposes for a facility, where it would be located and its size. Although widely supported by veterans groups, the legislation was not approved by lawmakers last session so Knowles will propose amendments to require the study be conducted under state law.

As part of his veterans' package, the Governor also will seek a state bond bill of \$4 million for veterans' housing, necessary for veterans who are ineligible or can't gain admission to the Pioneer and Veterans' Homes.

Knowles noted these three measures - the Pioneer and Veterans' Home creation with \$2.5 million in funding, the mandated survey, and the bond financing - need to pass the Legislature as a package.

"It's my hope legislators and pioneers of Alaska take a cue from the public who supports the military more than ever and better understands sacrifices the veterans have made through their service," Knowles said. "What better way to honor our veterans than to ensure their long term care needs are met?"

Notes: The full text of Knowles' proclamation is available at <http://www.gov.state.ak.us/proclamations/2001/PearlHarbor.html>

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01-270

KNOWLES ENDORSES \$17 MILLION INCREASE FOR UNIVERSITY
Also Seeks \$7 Million UA Capital Budget for FY03

ANCHORAGE – For the third consecutive year, Gov. Tony Knowles announced today that he will request a \$17 million increase to the University of Alaska (UA) operating budget for Fiscal Year 2003.

"No institution in Alaska is more important in advancing economic development, which ensures Alaskans can prosper and work in good jobs, than the University of Alaska," Knowles said. "A \$17 million investment in the coming year will allow UA to finance new initiatives which continue vitalizing the university. I didn't say 're-vitalize' because our state university is already a vibrant place. There's a buzz about the 'U' and it's a good one."

Knowles made the announcement at the University of Alaska Anchorage Commons with Board of Regent Chair Mike Burns, UA President Mark Hamilton, UAA Chancellor Lee Gorsuch, other Regents, university faculty, staff, students, and supporters present.

The \$17 million requested by the Regents includes initiatives to meet Alaska's employment needs for engineers, health professionals, teachers, and business managers. It puts a major emphasis on attracting and retaining students and improving the technology resources that are so critical to a top-notch academic environment. It also covers the non-discretionary increases for basic expenses such as labor costs, library materials, and facility maintenance.

Knowles said the budget request addresses three important goals he shares with the university:

- Recruiting and retaining Alaska students at Alaska's university;
- Training Alaskans for the highly technical and skilled jobs of the coming decades; and,
- Helping diversify the state economy by building technological capacity.

Knowles noted the workforce development component provides a handsome return on investment. According to the Alaska Department of Labor and Workforce Development, taking just one vocational education class can increase earnings by 20 percent.

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Last year, Knowles asked the Legislature to approve a similar amount; lawmakers ended up funding \$15.6 million. UA's total general fund budget for the current year is \$195.5 million.

Final details on the capital budget are being finished but Knowles will ask the Legislature to approve a number of important projects for the coming year, including:

- \$5.5 million of certificates of participation (a type of bond financing) for high priority safety improvements, deferred maintenance, and renovations for more effective space utilization;
- \$1.5 million for the second phase of replacing the primary computer system funded from the Alaska Postsecondary Education Commission annual dividend;
- Authorization to use federal and other non-state funds for small scale projects statewide; and
- \$450,000 for the Small Business Development Center in Anchorage.

"This additional investment in the university will enable it to continue being a vital partner with the private sector in keeping Alaska's economy healthy," said President Mark Hamilton. "The entire university community thanks Gov. Knowles for his commitment to Alaska's university and for his leadership in helping convince the Legislature to invest in this job-creating institution."

During his remarks, Knowles noted that the university this fall enjoyed a 13 percent increase in first-time, full-time student enrollment. The Alaska Scholars Program, which Knowles proposed and the university has implemented, is keeping Alaska's best and brightest in Alaska. More than 850 scholars are currently enrolled, up almost 300 from last year.

Under the program, the university provides full scholarships to the top 10 percent of Alaska high school graduating classes. An impressive 250 students have elected to claim their scholarships within the one-year eligibility period, returning to Alaska to attend school at a UA campus.

In the area of research, over the past three years more than 300 applied research projects with potential benefits to the Alaska economy were and are being conducted. For every dollar of state money spent on research, an additional \$5.71 comes from federal and other sources.